

Named portfolio manager(s):

Erwin Deseyn (since June 2005), Paul Smets (since)

Location: Brussels

Launch date: October 2003

Fund size (April 2009): €143m

Peer group: Inflation Linked Euro

Further information on S&P's fund coverage can be found at www.funds.standardandpoors.com

Standard & Poor's opinion (June 2009)

Co-manager Peter De Coensel left the company early in 2009. Erwin Deseyn will now run the fund in collaboration with Paul Smets, who is a long-serving employee of Capital at Work with a background in credit analysis/valuation methodology and risk management.

The flavour of this fund has also changed over the past 12 months. We had previously expressed concerns about the non-trivial exposure to structured products and inflation-linked credit-linked notes, which tend to have lower liquidity, higher transaction costs and be more difficult to price than conventional issues.

The two managers began switching out of these securities in the latter half of 2007 and 2008 and into government inflation-linked securities. In future, it is expected to be a more mainstream product; the fund will comprise mostly government bonds but will continue to include European peripheral and emerging markets should opportunities arise. Currency risk will also be a less important driver of future returns.

The fund ranks bottom quartile over three and five years cumulatively. The costs associated with restructuring the portfolio had a material impact on performance in 2008, although other factors such as the decision to hedge Japanese yen exposure also meant the fund missed out on other potential gains.

While we welcome the fund's increased transparency, performance has continued to disappoint in 2009, both against peers and its benchmark. We have made the fund Not Rated by S&P.

Fund manager & team

Capital at Work manages €850m in bonds. Fund managers Erwin Deseyn and Paul Smets are supported by a team of 12 research analysts covering equity and bond issues.

Erwin Deseyn - fund manager - economics (Katholieke Universiteit Leuven), started his career in 1991, working at Bacob and Générale Bank, before joining Capital at Work in 1999. He specialises in credit.

Paul Smets - MBA (Katholieke Universiteit Leuven), started his career in 1988 at Generale Bank and joined Capital at Work in 1994. He heads the research team.

Management style

The fund is benchmarked against a composite Barcap Global Inflation Linked TR index (75% euro hedged, 25% unhedged).

The investment parameters are relatively unconstrained. The fund will often have significant exposure to markets outside the US and eurozone, two of the largest weightings in most global inflation-linked indices. These can include European peripheral markets as well as selected emerging markets countries.

This is predominantly a government-biased fund. The managers can invest in FRNs, inflation- and credit-linked notes and structured securities, but exposure to these is likely to be minimal in future, with the focus being primarily on high-quality government issues.

The maximum holding for any individual country and corporate issuer is 20% and 10% respectively. There are no credit rating constraints at country level. Duration exposure will range between 6-9 years and will not be a major driver of performance.

Report date June 2009

Investment Style

	Inv Grade	Blend	Sub Inv Grade
Govt			
Corp			
Emerging			
ABS/MBS			

Performance Statistics

3 Years

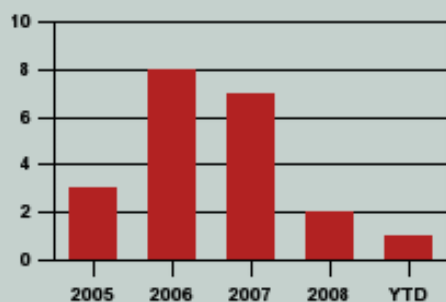
Fund	-5.3%
Standard & Poor's Peer Median	4.6%
Index**	8.2%
Fund Rank	144/165

Note: returns are cumulative

3 Year Risk Characteristics

Maximum Drawdown (%)	Low	-11.3
Volatility	Low	5.9
Correlation	High	0.7
Beta	Medium	0.7

Calendar Year Decile Ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank 9, with tenth decile as rank 1.

Performance Data Source - © 2009 Morningstar, Inc. All Rights Reserved. All statistical data on this report has been run to 31/03/2009 on NAV to NAV basis, with gross income reinvested, in euro.

INFLATION NETWORK

Sub-fund of Luxembourg domiciled Sicav - Part 1
CapitalatWork

Portfolio & performance analysis (April 2009)

This time last year, the fund had around 30% invested in inflation-linked credit and corporates; 21% was in financials with the remainder in corporates. Around half the financials exposure was in conventional bonds, including Tier 1.

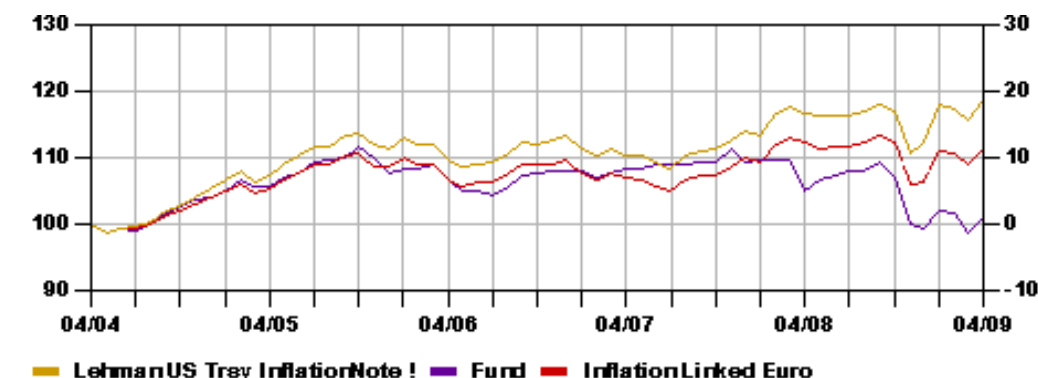
Towards the end of 2007, the co-managers began selling constant maturity swap notes and in Q1 2008 started to add aggressively to government inflation-linked securities. They offloaded a first-to-default basket in July 2008, and in August the last CMS notes in the fund were sold. The fund currently has 91% in government linkers with the balance in inflation-linked credit (which are relatively illiquid positions). This current allocation is likely to be more representative of the fund's construction in future.

Most of the currency risk is now hedged, apart from a very small residual exposure to the US dollar, Japanese yen and Brazilian real. At the start of the year, the managers favoured short-term paper, and particularly issues that were pricing in deflation. They reallocated some money from JGBs into TIPS holdings during March/April 2009. This was a relative value play, in anticipation of widening breakevens.

Owing to poor relative performance in 2008 and 2009, the fund now ranks bottom quartile over three and five years cumulatively. Some of this has been due to restructuring the portfolio and selling illiquid securities into a distressed market. Hedging the fund's yen exposure also meant it missed out on the Japanese currency's strength in the latter half of 2008. However, de-risking the portfolio in late 2007/early 2008 has reduced the size of the potential drawdown.

The fund has lagged its benchmark by 325bps after fees over 12 months to end-March 2009. It has trailed by 315bps during Q1.

Cumulative performance



Discrete Performance (calendar years)

	2005		2006		2007		2008		YTD 31/03/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	3.3	88/119	-0.5	39/161	1.7	75/194	-7.1	171/202	-1.0	212/226
Index**	5.9		-1.7		1.9		4.0		0.6	
Median	4.3		-2.2		1.4		2.1		0.8	

** BarCap Euro IL Eur!

Fund Benchmark: Barcap Global Inflation-Linked Bond Index (75% EUR hedged, 25% unhedged)

Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN
Ord	3.00	0	0.60				LU0175696946
Registered for sale	Belgium, France, Italy, Netherlands, Spain, Switzerland, Through authorised intermediaries only						

STANDARD & POOR'S



Sources of return (01/04/09)

	Low	Average	High
Portfolio Duration	[Bar chart]		
Credit Spreads	[Bar chart]		
Country / Sectors	[Bar chart]		
Yield Curve Positioning	[Bar chart]		
Currency Exposure	[Bar chart]		
Derivatives	[Bar chart]		

Portfolio characteristics

Effective duration (years)	7.53
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Credit rating breakdown by CTD*

(01/04/09)

	Long	Short	Net
AAA	7.20	0.00	7.20
AA	0.27	0.00	0.27
A	0.00	0.00	0.00
BBB	0.06	0.00	0.06

Duration breakdown (01/04/09)

	Long	Short	Net
0-3 years	0.12	0.00	0.12
3-5 years	0.73	0.00	0.73
5-10 years	1.93	0.00	1.93
10+ years	4.76	0.00	4.76

Asset allocation by CTD

(01/04/09)

	Long	Short	Net
Governments	6.83	0.00	6.83
Inflation-linked corporates	0.68	0.00	0.68

Regional breakdown by CTD*

(01/04/09)

	Long	Short	Net	Curr %
US	0.45	0.00	0.45	0
Euroland	6.82	0.00	6.82	100
Japan	0.27	0.00	0.27	0

* CTD = Contribution to duration. Credit rating exposures are expressed in spread duration terms.

Symbols and Definitions

Long-Only Fund Ratings

AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and performance consistency of the management team and/or approach as compared to funds with similar objectives.

AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-Hedge-Fund Ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Absolute Return Fund Ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

All Fund Ratings

NR Funds designated as NR (Not Rated) currently do not meet the requisite performance standards and/or the minimum qualitative criteria.

UR Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

New Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

Bond Fund Volatility Ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprised of government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprised of the highest quality fixed-income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or liquid securities.

V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute Return Fund N Ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.

10/14/2008

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